



The impacts of the economic crisis on tourism companies in Crete

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<p>Opinnäytetyön tavoitteena on saada tietoa talouskriisin vaikutuksesta turismiin Kreikassa, erityisesti Kreetan saarella. Laadullisella tutkimuksella pyritään saamaan ajankohtaista tietoa siitä miten heikko taloustilanne vuoden 2008 jälkeen on vaikuttanut matkailualalla toimivien palveluntarjoajien toimintaan sekä miten palveluntarjoajat ovat selviytyneet talouskriisistä. Tutkimuksessa selvitetään miten talouskriisi on ilmennyt konkreettisesti esimerkiksi asiakasmäärissä ja yrityksen toiminnassa sekä millaisia muutoksia esimerkiksi palveluiden tarjontaan ja palveluiden laatuun sekä markkinointiin yrityksissä on tehty kriisistä selviytymiseksi. Tutkimuksessa halutaan selvittää miten paikalliset yritykset Kreetalla sopeutuivat taloustilanteeseen ja minkälaisia keinoja ne käyttivät.</p> <p>Teoreettinen osuus koostuu yrityksen toimintaympäristöstä ja elementeistä ulkoisessa ympäristössä, jotka vaikuttavat yrityksen toimintaan. Lisäksi teoriassa käydään läpi talouskriisi ja sen seuraukset koko maailman, Euroopan ja Kreikan mittakaavassa.</p> <p>Tutkimusmenetelmä oli laadullinen. Tiedot kerättiin helmi- ja maaliskuussa 2014 haastatteleamalla viiden erityyppisen matkailuyrityksen johtohenkilökuntaa Kreetalla Haniassa.</p> <p>Tutkimustulokset osoittavat, että talouskriisi ei vaikuttanut turistien määrään Kreetalla. Se kuitenkin vaikutti matkailun luonteeseen ja laski matkailun laatua ja turistien kulutusta kohteessa. Toisiin yrityksiin talouskriisi vaikutti toisia enemmän. Suurin vaikutus oli hallituksen toimilla ja uusilla veroilla, jotka vaikuttivat yritysten toimintaan kielteisesti. Myös yritysten kysyntä jakautui epätasaisesti; esimerkiksi halvempaa majoitusta suosittiin luksusmajoitusta enemmän. Paikallinen turismi väheni selvästi Kreetalla ja ulkomaalaisista turisteista tuli yhä tärkeämpiä paikallisille matkailuyrityksille. Nämä nähdään Kreetan ai-noana toivona selvitä tulevaisuudessa.</p>	
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<p>The aim of the thesis was to obtain information on the impacts of the economic crisis in Greece, especially in the island of Crete. The main purpose was to obtain topical information by qualitative research on how the poor financial situation after 2008 has affected the operation of tourism services and how the tourism services have survived the financial crisis. The study intends to explore how the economic crisis has been concretely manifested for example in the number of customers and the companies' operation and what kind of changes the company has made in the supply and quality of the services to survive the crisis. The research examines how local companies in Crete have adapted to the financial situation and what kind of methods and tools are employed.</p> <p>The theoretical framework of the study covered the organizational environment of a company and factors in the external environment which might affect the performance of the company. Furthermore, the economic crisis and consequences of it were discussed worldwide, on a European and Greek scale.</p> <p>The methodology approach of the study was qualitative. The data were collected in February and March 2014, by interviewing managers of five different types of tourism companies in Crete, Chania.</p> <p>The results revealed that the economic crisis did not have an impact on the number of tourists in Crete. However, it influenced the type of tourism and reduced the quality and the expenditure in the destination. Some companies were hit by the crisis more severely than others. The main reason for this was due to government actions and new taxes which made the operation of the companies even more challenging during the crisis. Also the demand for the different companies was unevenly divided; for example low-cost accommodation seemed to be more popular than luxury options. Local tourism decreased significantly in Crete and foreign tourists became even more important for the local companies. These were seen as the only hope for the local tourism companies to survive in the future.</p>	
Key words Economic crisis, organizational environment, Crete, tourism companies	

Table of contents

1	Introduction.....	1
2	Organizational environment.....	2
2.1	Macro-environment	3
2.1.1	Economic factors	4
2.1.2	Political and legal factors	5
2.2	Micro environment	7
2.2.1	Customers and demand	7
2.2.2	Competition	8
2.3	Internal environment.....	8
2.3.1	Marketing.....	9
2.3.2	Human Resource management.....	11
3	Overview of the global economic crisis.....	12
3.1	Impacts of economic crisis on tourism industry worldwide	12
3.2	Economic crisis in Europe.....	14
3.3	Economic crisis in Greece	15
3.3.1	Economic crisis in Crete.....	18
4	Crete as a tourist destination	20
4.1	Size of tourism in Crete.....	21
4.2	Main tourist attractions in Crete	21
5	The research process	23
5.1	Collection of the data.....	24
5.2	Analyzing the data	25
5.3	Validity and reliability	26
6	Results.....	28
6.1	Macro environment.....	28
6.1.1	The economic crisis impacted on the quality of tourism.....	28
6.1.2	The government actions restrict the performance of the companies	30
6.2	Micro environment	32
6.2.1	The companies suffered from decreased number in local tourists.....	32
6.2.2	Consumer behaviour changed	33

6.2.3	Competition	35
6.3	Internal environment	36
6.3.1	Changes in the services	36
6.3.2	Marketing channels	37
6.3.3	Human resource management	39
6.4	How the crisis was experienced?	39
6.5	The future of the companies	40
7	Conclusion	42
	References	44
	Attachments	50

1 Introduction

The global economic crisis that began in 2007 has created numerous challenges in the tourism industry worldwide. The industry is feeling the impact of a shrinking capital market and decreased spending by both corporate and individual consumers. The crisis had a particularly strong impact and negative consequences in Greece, because the country was undergoing a serious political crisis as well. Significantly, tourism could be the driving force behind Greece's economic recovery. However, it is interesting to examine how the impacts of economic crisis and political actions affected on a country, where tourism is such a prominent industry.

The aim of the thesis was to examine how the economic crisis has influenced the performance of the researched companies in Crete. In order to achieve this research aim, the following research objectives were identified: How the economic crisis impacted on the performance of the tourism companies in Crete? What kind of methods the companies have used in order to survive the crisis, whether the company faced negative consequences? How the tourism entrepreneurs experienced the crisis?

Economic crisis is a situation in which the economy of a country or world economy experiences a sudden downturn brought on by a financial crisis. Most likely an economy facing an economic crisis will experience a collapse of GDP, a drying up of liquidity and rising or falling prices due to inflation or deflation. A recession or a depression can be followed after economic crisis.

The theoretical part starts by illuminating the organizational environment of a company and the factors in the external environment which can affect the performance of the company. The theoretical part continues by a discussion of the economic crisis and consequences of it worldwide, in Europe and in Greece and how it impacted on the tourism industry. The study was conducted as a qualitative research by interviewing managers of five different types of tourism companies. Chapter 6 presents and analyses the results and summarizes the themes which emerged from the interviews.

2 Organizational environment

This chapter is introducing the organizational environment of a company. Sometimes the term “business environment” is used in reference to the same concept. The following sections clarify the dimensions of an external environment that can affect the operation or performance of a company and the dimensions of the internal environment which can be affected by them. In terms of this thesis, the most important external dimension is the economic environment since the thesis is examining the impacts of the economic crisis within an organization. The study explores the influence of the economic dimension on the performance and operating conditions of the companies, which are being interviewed. However, since the political and legal environment affected strongly the performance of the companies during the economic crisis, this will be examined too. The dimensions in the internal environment which are affected by the external environment are analysed more specifically and explained in chapter 2.3. Figure 1 below presents the entire organizational environment and layers, where the internal environment is represented by the tourism companies operating in Crete, examined in this thesis.

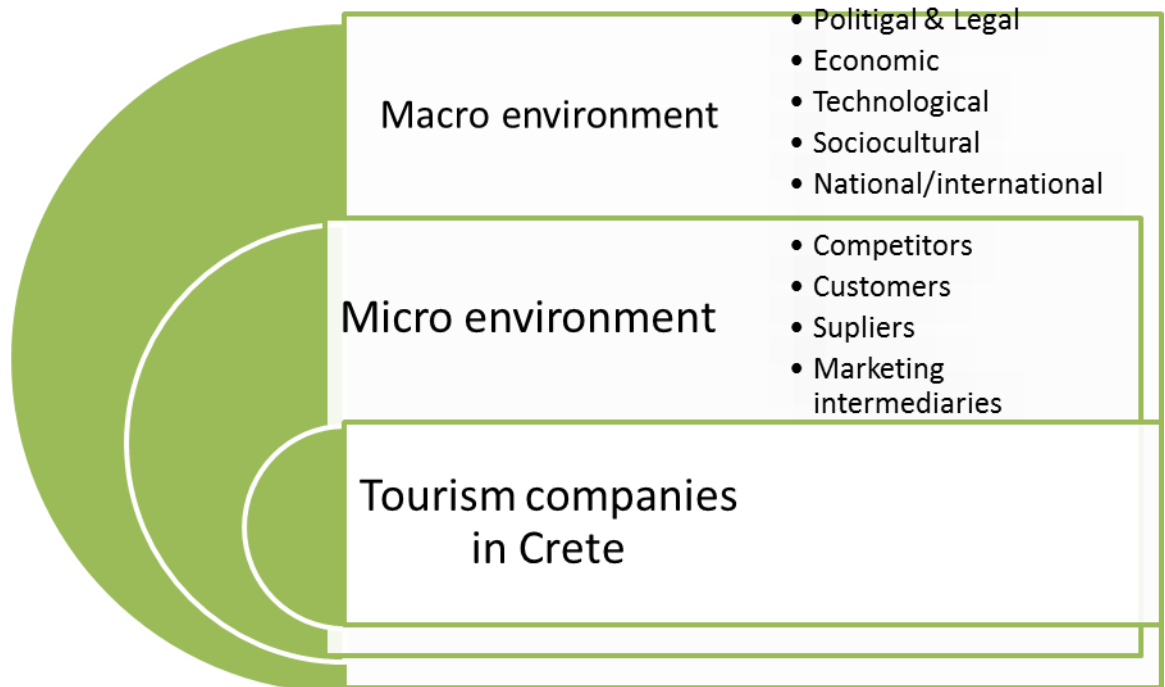


Figure 1. Organizational environment. Edited from Puustinen & Rouhiainen 2007.

The organizational environment includes all the elements existing outside the boundary of the organization that have potential to affect all or part of the organization. More specifically, the organizational environment consists of internal and external environment. The external environment is the surrounding world in which a company operates in. The external environment consists of micro and macro environment and includes opportunities and threats for the organization. These factors will have enormous effect on any organization's growth and survival. Therefore, a company's business strategy must take into account both external and internal environment of the organization. (Kotler & Armstrong 2010, 90; Morrison 2006, 4, 30.)

The organizational environment comprises a group of forces acting upon organization, often with far-reaching implications. First it is necessary to analyse the various forces at "play" in order to fully appreciate the nature of the organizational environment. As the complex and multidisciplinary nature of an organization is understood, further examination efforts are required to identify the business market environment. (Brooks & Weatherston, 2000, 26-27.)

Different models are available to describe the organizational environment. Such analyses examine environmental factors, which cannot be controlled, creating both opportunities and threats to the organization. One of these is the PEST model which is explained in this chapter. (Fyall & Garrod 2005, 62.)

This thesis examines how the changes in the external environment affect the performance and the internal environment of the companies and the actions the organizations are taking to maintain competitive advantage.

2.1 Macro-environment

Macro-environment is the same for all the organizations and an individual organization does not have an effect on it. An organization may be influenced by changes within this element of its environment, but cannot itself influence the environment. All these elements can also affect the entire industry, not only a single organization. These external elements, as shown in figure 1, include: political and social, economic, techno-

logical and socio-cultural dimensions. In order to have a solid knowledge of the trends and new developments in the market place, it is important that an organization scans the macro environment on regular basis. (Armstrong, Kotler, Harker & Brennan 2009, 52.)

PEST analysis is a technique which examines the macro environment where P stands for political/legal environment, E economic factors, S social (including cultural and demographic factors) environment and T technological environment. It is a useful tool for monitoring and evaluating forces which affect the organization over the long term. PEST analysis is usually performed in order to reveal the factors that help or hinder marketing dynamics of products. (Morrison 2006, 30.)

By using PEST analysis, the trends in the external environment can be detected and it helps organizations to find their way in a competitive environment. Sometimes, the business environment presents threats and challenges. By analysing the threats and challenges, organizations should enhance their strengths to deal with them. An organization can even take these threats and challenges as advantages. (Morrison 2006, 30.)

2.1.1 Economic factors

Economy is one of the societal factors which affect market demand and the total purchasing power of the people. The economic dimensions are most likely to influence the organisation's production of goods and services. Economic fluctuations are based on long-term changes in national or global economy. The economic environment is determined by consumers' income, the available amount of money and taxation and results in the general state of both domestic and world economy. Additionally, also the level of unemployment is a factor that influences the economic environment. (Kotler & Armstrong 2010, 103; Morrison 2006, 66.)

Government policy affects the purchasing power of consumers. If government increases its expenditure and decreases taxes people have more money to spend. On the contrary if government decreases its expenditure and increase taxes people have less expendable money. (Kotler & Armstrong 2010, 103.)

According to Morrison (2006, 66) there are numerous economic players in every society, including businesses, consumers and governments which affect the economic environment of an organization. One of these is global or national recession. This study examines more specifically how the world economy and its changes affect to companies' internal environment and to the performance and operating conditions of the companies.

Small businesses are often hit the most severely during an economic recession, since first of all they operate under a tightly controlled cash flow which signifies that as the money comes in it goes out. If a payment from a customer is late, it puts the entire cycle in risk. Reduced availability of credit makes it impossible for small businesses to overcome by borrowing. If the small businesses depend on a few major customers for their revenue and one or more of those customers reduces its purchase amount or stops buying completely, the small business can lose a significant amount of income. (Sandilands)

Compensation guidelines for companies, such as base salary, short-term or annual incentives and long-term incentives are important in a recessionary environment. A company operating in a recessionary environment should consider reducing base salary costs without having to reduce staff and focus the major portion of the salary increases on top performers and top skill talent. One of the short-term or annual incentive programs is the cost challenge of a company. Regarding the measures adopted by many countries in response to the global financial crisis, they have adopted a relaxed monetary policy and cut interest rates so as to boost bank liquidity. The countries have as well tried to stimulate consumer spending, help small and medium enterprises to secure funding, promoting investment, and boosting exports. (Candrilli et al. 2009; Wang 2010, 75-82.)

2.1.2 Political and legal factors

The political and legal environment includes laws, government agencies, and pressure groups that influence and limit various organizations and individuals in a given society

and sometimes also create new opportunities for businesses. Political and legal environment are connected in a way that the political leadership is the one that imposes new laws that affect the level of taxation. The laws that influence tourism businesses are for example consumer protection act, security act and act on package tour conditions. (Kotler, Armstrong 2010, 108.)

Political risks can be divided into macro and micro political risks. Macro political risks affect all the companies in the country as a result of wars and changes in the government. These macro political risks can be property, operation or financial risks, which can be caused by the local government. The micro political risks affect only companies in certain industries, areas or ventures, for example taxes imposed on companies working in a specific sector. The local government can also introduce laws to regulate operation of the companies. A government can control and restrict companies' activities by encouraging and offering support or discouraging and banning products and services. (Wall & Rees 2004, 136.)

Government control has a strong impact on marketers because it affects people's willingness to spend on consumer goods and also influence the size of the potential market. Non-profit organizations may feel the effects even more strongly, since many are funded from government grants and contracts, which may be cut back in times of austerity. (The marketing environment 2013.)

However, governments can respond to shocks in the industries where the companies are struggling. Regarding tourism industry, governments can influence the rate of recovery of the industry by reducing taxes, compensation to tourism companies and related sectors. Also by increasing insurance premiums; limitation of the extent of liability by tourism companies and related industries for the results of global economic crisis; allowances to make late payment of excise taxes and compensation to employees. Governments could save many businesses from bankruptcy by passing relief package for the purpose of helping the faltering tourism industry to recover. Governments can also be one of the big sponsors for marketing strategies that can help the country overcome the negative impacts of the crises. On the other hand, tourism companies can rely on marketing strategies to attract new customers, while budget companies can of-

fer discounts. Finally, companies can adjust work-time, functional and numerical flexibility and also promote themselves to new markets and can change their marketing strategies according to domestic and global market. (Akova, Sariisik & Dönmez, 2011.)

During the global economic crisis governments and private parties worldwide have undertaken a number of measures to safeguard the stability of their ailing economies. Greek legislative and social landscape faced changes in both labour and social security law. The perspective and purpose of legislative interventions quickly took a different turn and they invariably tend only to lower the cost of labour and to increase labour flexibility. These measures taken before the full onset were supposed to protect workers from the harmful effects, and were decided by the Greek government. However, during the period that the crisis fully evolved, decisions adopted seem to have been dictated by outside forces rather than national institutions, without prior negotiation with the Greek social partners. (Papadimitriou 2013.)

2.2 Micro environment

There are several definitions in reference to dimensions included in the micro environment. According to Kotler and Armstrong (2010, 90) micro environment includes all of the actors close to the company that affect, positively or negatively, its ability to create value for and relationships with its customers. These actors include suppliers, marketing intermediaries, customer markets, competitors and publics. According to Porter's Five Forces model the micro environment consists of competitors, new entrants, buyers, suppliers and existence and impact of substitutes. The most important factors that are necessary to take into account in this study are customers (demand) and competitors. (Kotler & Armstrong 2010, 90-91, Fyell & Garrod 2005, 331.)

2.2.1 Customers and demand

Customers are the most important actors in the company's micro-environment. The aim of the entire value delivery system is to serve target customers and create strong relationship with them. There are five types of customer markets, which include: consumer markets, business markets, reseller markets, government markets and international markets. The most important markets regarding this thesis are consumer and

international markets, since the consumers in the researched companies consist of individual consumers or buyers in other countries. (Kotler & Armstrong 2010, 93.)

The demand is the amount of goods or services the company's customers want to buy at a given time. The demand indicates the desire to buy, but consumption indicates the real purchase of the products or services. Factors that influence the industry and amount of the demand include the factors that are connected with buyers, companies and societal factors. The factors that influence the demand of the buyers in tourism industry are the needs and desires of the travellers, motivation to travel, the amount of travelers, disposable incomes, social psychological and personal factors like values, attitudes and purchasing habits and lifestyle. (Puustinen & Rouhiainen 2007, 42.)

2.2.2 Competition

A company must provide greater customer value and satisfaction than its competitors in order to be successful. Thereby, marketers must do more than simply adapt to the needs of target consumers. They also have to gain strategic advantage by positioning their offerings strongly against competitor's offerings in the minds of customers. Each company should consider its own size and industry position compared to those of its competitors. (Kotler & Armstrong 2010, 92.)

We can examine competition from both an industry and a market point of view. Using the market approach, competitors are defined as companies that satisfy the same customer need. The market concept of competition reveals a broader set of actual and potential competitors than competition defined in just product category terms. It is suggested profiling a company's direct and indirect competitors by scanning the buyer's steps in obtaining and using the product. This highlights both the opportunities and the challenges a company faces. (Kotler & Keller 2009, 336.)

2.3 Internal environment

Internal environment focuses on the company's capabilities and core competencies and all the factors have influence on a company's resources. The internal elements include

the organizations own decisions and choices, which partly are based on the influence of the external elements. In this thesis I will focus on and examine how these external elements, particularly economic dimension, affects and changes the company's internal environment. (Puustinen & Rouhiainen 2007, 28.)

There are several definitions of what internal environment includes. Puustinen and Rouhiainen (2007, 29) state in their book that internal environment comprises the business idea, marketing goals and competitive weapons, target group and corporate culture. In terms of my study and research, the important internal dimensions are the business idea of a company, employees, target group and competitive weapons in marketing. These are the main objects of study since the research is examining the marketing ways of a company during the economic crisis, how the economic crisis affected on employees in a recession period and if the business idea or target group have changed during the economic crisis. (Puustinen & Rouhiainen 2009, 29.)

For an organization to build a strategy that can lead to competitive advantage and above-average earnings, internal and external environments have to meet each other on the way. Even though external environments can create opportunities and threats for an organization, internal environmental conditions can turn these opportunities and threats to competitive advantage by using the organisation's capabilities, unique resources and core competencies. Therefore, the aim of the research is to examine how the external conditions change the internal elements and what companies are doing to turn these threats to competitive advantage. (Hitt, Hoskisson & Ireland 2007.)

2.3.1 Marketing

Armstrong, Kotler, Harker and Brennan (2009, 6) state in their book that marketing is about managing profitable customer relationships; attracting new customers by offering greater value and holding on to the current customers by delivering promised satisfaction. In travel and tourism marketing is vital because it is the main management influence which can be delivered to sustain on the size and behaviour of global market. Both long-term and short-term marketing is needed in the tourism industry for to help

the company meet with different types of customer needs, and to be competitive in its market. (Armstrong et al. 2009, 6-7; Puustinen & Rouhiainen, 2007, 37.)

The tourism product is clearly intangible in nature in that the core offering is often a performance rather than an object. Much of tourism marketing is about the marketing of dreams. Similarly, tourism products are often perishable in nature because production is fixed in time and space. The inseparable nature of the producer and consumer of the tourism product makes it challenging to market tourism products. For the suitable and right marketing strategy the organization has to recognize the elements in the organizational environment, which influence directly and indirectly the business. Before planning the marketing, it is necessary to consider matters such as: the environment where the organization is operating and to whom it is marketing products and services and how. Marketing strategy of a company reflects and simultaneously informs corporate vision and leadership and it is related to the external business environment, the organization's view of customer needs and its competitors' actions. (Fyall & Garrod, 2005, 36; Puustinen & Rouhiainen 2007, 37.)

In the tourism industry a good distribution system is valuable for a company to make better revenue since it is not enough to rely on their own sales force. This is why many tourism businesses are putting more effort into using marketing channels available to them. A distribution channel is a set of independent organizations involved in the process of making a product available for consumers and the networks consist of agreements and loosely organized alliances between organizations. (Kotler, Bowen & Makens 2003, 499.)

The communication mix is one channel of traditional marketing. It includes

- Advertising
- Sales promotion
- Merchandising
- Public relations and publicity
- Personal selling

Each one of these is important when a company markets a product for the target market. Advertising is the most visible element and it possesses the most potential group through newspapers, magazines, television, radio, transit displays, billboards and online, also through brochures and flyers. In hospitality industry internet offers vast possibilities to reach customers and it is the most important tool for the companies. (Shoemaker, Lewis & Yesawich 2007, 412-413.)

2.3.2 Human Resource management

Human resource management (HRM) is one of the main functions of the business and focuses on all aspects of the management of people in the organization, including recruiting, training and rewarding the workforce. Human resources are the most important asset of the enterprises in the tourism industry when it comes to ensuring proper functioning. Knowing how to choose and hire competent staff for the tourism company is essential. Employing the right personnel increases productivity, which translates into higher profits and has a positive impact on the working environment. (Morrison 2006, 6, 13; Tourism business portal 2014.)

The decisions concerning the employees of the organization are mostly based on the influence of the external environment. Economic dimension in macro environment is one factor that can influence the human resources of the company. The economic crisis obviously has an impact on employment and unemployment. Many firms have responded to the economic crisis by reducing employee numbers, introducing short-time working, and cutting pay and benefits. (Morrison 2006, 80.)

3 Overview of the global economic crisis

The global economic crisis started out as a sub-prime crisis in the United States in 2007. Many factors created the right circumstances for a sub-prime crisis to emerge. The roots of the crisis are in Asia from where significant amounts of cash were invested in the USA. As a result of this the interest rate in the US was low for too long and was the first thing to allow low income households take loans they could not afford with insufficient collateral. The crisis quickly spread beyond North America to other countries and provoked worldwide panic at the end of 2008. (Pol 2009, 12; Wolf 2008.)

The crisis has produced or worsens serious, wide-ranging yet differentiated impacts across the globe. Negative impacts are reported mainly from developing countries. Some of these consequences are increasing unemployment, deceleration of growth and economic contraction. The global economic crisis also has negative effects on trade balances and balance of payments as well dwindling levels of foreign direct investment and large and volatile movements in exchange rates. There are more consequences of the global crisis such as sharply reduced revenues from tourism, which will be examined later on. (Mshana 2009.)

3.1 Impacts of economic crisis on tourism industry worldwide

Henderson (2006, 17) defines economic tourism crisis as something that arises from economic changes within the tourism system or wider economy. Tourism economic impacts are the consequences of tourism for a destination economy. Economics influence on the demand for tourism as well for supply of facilities and services. Economic circumstances help to shape flows of tourists, their spending patterns and the nature and speed of development in generating and receiving countries. This also reflects general economic movements. These economic forces may create opportunities and problems and have the potential to evolve into a crisis.

With a decline in the GDP indicator economic growth slowed down in 2008, leading to a recession period in several OECD (Organisation for Economic Co-operation and Development) countries. Some emerging economies have experienced serious slow-

downs. As most industries, the hospitality and tourism sector is experiencing numerous challenges as well. Central banks and governments took some exceptional measures to avoid bankruptcy particularly in the financial and industrial sectors. Still a lack of liquidity was observed and loss of employment was still to come. Especially the world growth of the tourism sector is expecting long-term implications because of the global economic crisis. (Proust, Angelakis & Drakos 2009; Kapiki 2011.)

The tourism sector will suffer the consequences of the economic crisis since the estimations were done indicating that people are likely to travel closer to home and shorter period of time. This will result in domestic tourism enduring the crisis better and even growing significantly. It was also predicted that people will prefer cheaper hotels and the number of weekend trips. Thus the number of long-haul travellers choosing expensive locations will decrease. For example the recession caused serious problems for luxury hotels in particular. However, it did not affect that much in hotels in certain global markets, like those gathering to leisure travellers. Altogether, the recession resulted from a significant decline in the average expenditure per guest as well as the length of stay. Also financing of the construction of new tourism facilities was more difficult as a result of the lack of credit options. (Proust et al. 2009.)

According to World Tourism Organization international tourist arrivals dropped by an estimated 4 % and all world regions, except Africa show negative results in 2009. The decline in Europe was 6 %. Compared to the first half of 2009 with 10 % decline, growth returned in the last quarter of 2009. Results in Western, Southern and Mediterranean Europe were relatively better than destinations in Central, Eastern and Northern Europe. In Asia and Pacific the total decline was 2 %. The first half saw a 7 % decline, but the second half 3 % growth, reflecting improved regional economic results and prospects. (UNWTO 2010.)

During the downturn, travellers became less engaged with the traditional sun-and-beach destination brands. Hence, they looked for the best value in a two-hour flight range. This has fuelled growth along the cheaper Mediterranean countries such as Tunisia and Egypt and left euro zone countries such as Spain, Greece, and Portugal coping with declining tourism traffic. (Ringberg & Pietsch 2011.)

3.2 Economic crisis in Europe

In 2008, shortly after the economic crisis had emerged in the USA, it became evident that European governments, with a few exceptions, had been building up a massive pile of risky debt. Economic crisis hit different European Member States and regions in an unequal way. The South-Europe countries such as Spain, Portugal and Greece, and the north of Europe: Ireland, some regions of the UK and Baltic states suffered strong recession. Regions in Czech Republic, Poland, Slovakia and Sweden resisted well to the first wave of the crisis. The current economic crisis in Europe can be traced to two prime drivers: irresponsible fiscal policy and irresponsible bank leading practices. (Yulek & Randazzo 2012.)

According to UNWTO (2009), international travel (arrivals) decreased substantially in the second half of 2008, caused by the deterioration of the overall economic climate and waning consumer confidence. The global rate of international tourist arrivals was lower by 1,25 % on average from the previous year, while the decline was 2,5 % for Europe. The tourism industry experienced a downturn in bookings of overseas travel to beach and cultural destinations between 2008 and 2009. City tourist destinations report a strong drop in demand and steep price cuts, mostly due to the collapse of the business trip sector. Also, due to weak demand airlines reduced capacities and cancelled routes in response to low capacity utilisation. (Smeral 2009.)

A survey conducted by Flash Eurobarometer analyses results on the attitudes of Europeans towards tourism. Over 27 000 randomly selected citizens aged 15 and over with different socio-demographic background were interviewed in the 27 EU Member States (after 2008 also in five additional countries: Croatia, Turkey, the Former Yugoslav Republic of Macedonia, Norway and Iceland too). In the following sections results between 2008 and 2011 are analysed. (European Commission 2009.)

Seven out of ten EU citizens claimed that they had travelled (spent at least one night away from home) at least once in 2008, while 28 % had not travelled during that period. Most citizens who did not travel in 2008 reported that it was due to a lack of necessary funds. In 2009 the number of travelled citizens was about the same (69 %) like

in 2008. The largest proportion of respondents who had not taken a holiday in 2009 said it was due to financial reasons. Such reasons included the most common in Bulgaria, Romania, Hungary and Former Yugoslav Republic of Macedonia. In 2010 this reason was given the most in Bulgaria (71 %) and in Greece (70 %). According to Flash Eurobarometer analysis the crisis continued still in 2013; respondents in Greece (81 %) and in Cyprus (77 %) are most likely to cite finances among the reasons why they did not go on holiday in 2013. (European Commission 2009; European Commission 2010; European Commission 2011; European Commission 2013; European Commission 2014.)

Already in 2008 the focus of tourism seemed to be shifting into a more domestic direction. In 2012 the majority of respondents in 16 countries took their holidays of at least four nights in their own country. This was particularly the case for Greek (87 %) and Turkey (88 %). Though still a majority, the proportion of the respondents who holidayed in their own country in 2013 decreased since last year. (European Commission 2009; European Commission 2013; European Commission 2014.)

3.3 Economic crisis in Greece

The problems started in Greece when they decided to hide their actual level of debt in order to be allowed entry into the Eurozone. The country's economy declined in 2008 as a result of the financial crisis. Greece was unprepared unlike some countries that tightened their belts to cope, and as the country's income shrank, its debt rose relatively. By 2010 its debt had risen from 100 to 145 percent of its GDP. Greece's rising debt troubled the markets from whom it borrowed. Raising more money became difficult and expensive and despite pledges to cut public spending it was eventually forced to start accepting bail-outs in 2010. European leaders took the drastic decision in October 2011 to forgive half of Greece's debt despite accepting over €110 billion in loans to balance its books. The financial crisis has reduced the wages and pensions, worsen the living conditions and affected on the employment and tourism in the country. (Stanners 2012.)

In Greece the unemployment rate has more than doubled between 2008 and 2011 from 7,7 % to 17,7 %. The male unemployment rate tripled between 2008 and 2011 from 5,1 % to 15%. In contrast, women were less affected by the crisis than men, the unemployment rate increased from 11,4 % to 21,4 % between 2008 and 2011. The numbers show that young people remain the hardest hit by the crisis and its aftermath. In 2011 the youth unemployment continued its rise in Greece and reached 44,4%. (Karantinos 2012.)

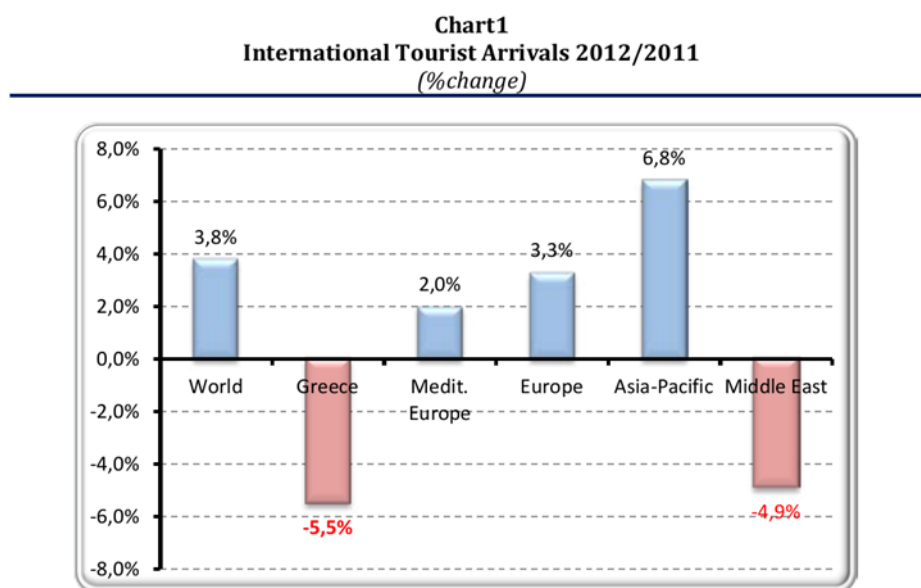
Greece was hit by the effects of the crisis, like the other southern European destinations. The global economic crisis had a particularly strong impact and negative consequences in these countries, as the tourism sector is a key one for the whole economy. The following table 1 shows how arrivals and overnights percentage change has been between 2005 and 2011.

Tourism is the biggest cash earner for Greece's economy, accounting for about 17 percent of its 185 billion-euro economic output. It employs 19% of the total workforce which means one in five Greek. As a result of the global economic crisis Greece had experienced numerous challenges in the hospitality and tourism sector. (Kapiki 2011; Maltezou 2013.)

Table 1. Arrivals and overnights in Greece between 2005 and 2011. (Ikkos 2012.)

Year	Arrivals		Overnights	
	Total	Change (%)	Total	Change (%)
2005	14.388.182		153.439.900	
2006	15.226.241	5,82 %	162.165.200	5,69 %
2007	16.165.265	6,17 %	161.235.200	-0,57 %
2008	15.938.806	-1,40 %	152.596.100	-5,36 %
2009	14.914.537	-6,43 %	141.443.700	-7,31 %
2010	15.007.493	0,62 %	140.175.700	-0,90 %
2011	16.427.247	9,46 %	150.978.200	7,71 %

The table above shows that tourism in Greece saw a considerable rise until 2008 after the Athens 2004 Olympic Games. However, after the economic crisis hit Greece in 2008, developments have not been positive and uniform across the country. Greek tourism took a dive in 2009 due to international recession and also due to a period of prolonged unrest in Athens. (Ikkos 2012) Greece saw an increase in 2011, but the following figure 2 indicates that the international tourist arrivals dropped 5,5 % in 2012 again.



Source: UNWTO, *Tourism Barometer Vol.11, January 2013.*

Figure 2. International tourist arrivals. (Rerres, Christidou, Spinakis, Panousi & Aggelopoulou 2013.)

Even though Greece was hit by the crisis, the country has many advantages as a tourist destination which has been helping and will in the future the country's tourism in the recovery process. As a destination it has been long-established, it has numerous very good hotel facilities and it offers various possibilities like islands, historical places, yachting and cruises. One important factor is that the key tour operators from European source markets have publicly supported Greek tourism. The opening up of new markets in Russia, Eastern Europe and the Middle East is seen as a potential opportunity for the recovery process. (Ikkos 2012.)

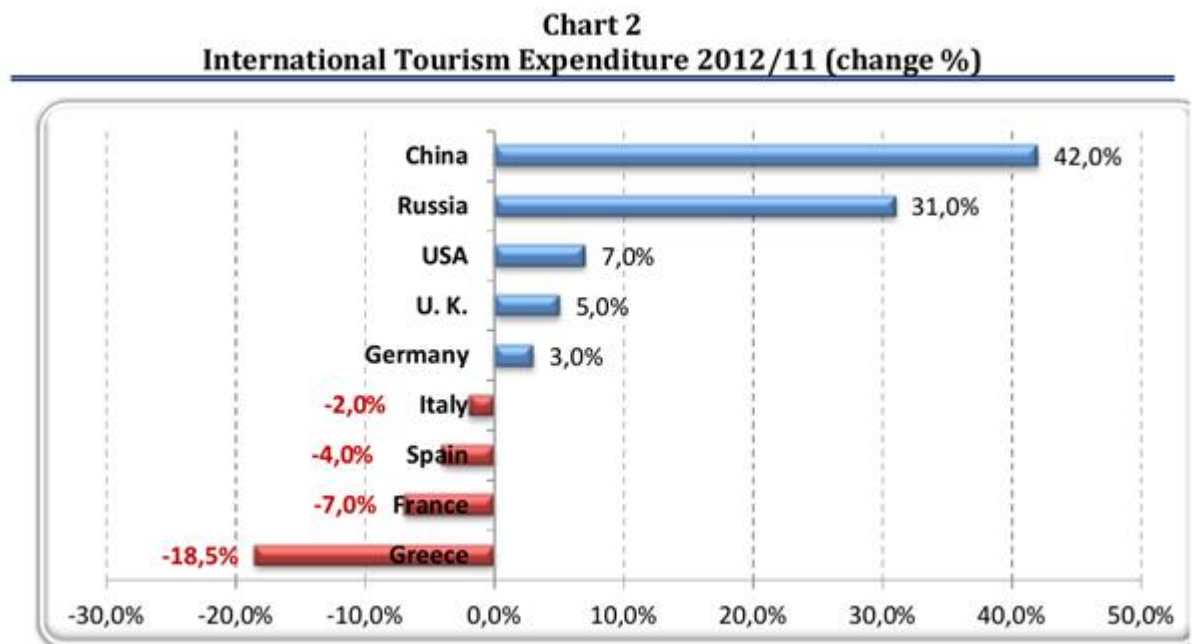
However, several challenges remain in order to improve the position of the Greek tourism internationally. The tourist product is very focused on sea and sun and this has led to strong seasonality, especially in comparison with direct competitors. Greece has high dependence on international flight connections and consequently tour operators. Also bureaucracy regarding new investments slows down the development. The tourism Promotion Strategy is unclear at a time when the Mediterranean tourism market is becoming increasingly competitive and key competitors e.g. Croatia and Turkey are strengthening their position. The most important challenge for Greece is to regain economic and political stability as a member of the EU and the Eurozone as the current uncertainty impacts adversely not only investment outlook, but also its image and prospects as a tourist destination. (Ikkos 2012.)

The country's policy makers should take several measures towards restructuring and improving the tourism industry sector. These measures include: enhancement of alternative forms of tourism; environmental protection; creation of quality infrastructure; and boost of competitiveness through a tourism product that offers value for money. (Ikkos 2012.)

3.3.1 Economic crisis in Crete

Tourism is the primary industry of Crete as the sector has been characterised by a large and rapid growth from 1970 to 2000. Tourism is still of vital importance for the local economy despite the fact that growth has seemed stagnant over the past few years. The current global economic and financial crisis has deeply cut household expenditure. Year 2009 was a difficult year for the tourism industry in Crete and the island's holidaymakers have not been exempted from this. The number of tourist continued to decrease as well in 2010 (annex 1). However, year 2011 was good; the growth was 7,9 % for entire Greece and in Crete it was even better with a 12 % growth. Even though arrivals by air of foreign tourists decreased again in 2012 in whole Greece, Crete recorded stagnation by 0,1 % in 2012. In Chania however, foreign tourist increased in 2012 by 9,2 %, compared to Heraklion where the arrivals decreased by 2,7%. (Proust, Angelakis & Drakos 2009.)

Crete was able to weather the downturn with low-cost packages. However, German and British visitors, who account for about 15 % of the 15 million tourists visiting Greece each year, were down 50 % and 35 % in Heraklion, East-Crete in 2008. Like previous statistics show, Chania and West part of Crete wasn't hit by the crisis like East Crete. A survey conducted by Proust, Angelakis and Drakos (2009) shows however that tourists reduced the level of expenditure. According following figure by UNWTO (ref. Rerres et al. 2013) international tourism expenditure decreased in Greece by 18,5 % between 2011 and 2012. Also in whole Crete for instance shops, restaurants, bars or other forms of entertainment places as well as car rental companies or excursion companies were affected by the crisis. On the other hand, public transport companies or supermarkets took advantage of this situation. (Proust, Angelakis & Drakos 2009.)



Source: UNWTO, *Tourism Barometer* Vol.11, January 2013.

Figure 3. International tourism expenditure. (Rerres et al. 2013.)

4 Crete as a tourist destination

The Mediterranean area is one of the world's top tourist destinations; specifically Southern European countries like Greece, Italy, Spain and Portugal have a long standing tradition as major touristic destination. Moreover, tourism activities contribute significantly to improving the standard of living of these countries. The tourism history of Greece began during the nineteenth century in the main towns when tourists visited Greece mainly for its historical and religious sites. In the earlier twentieth century with the industrial revolution period "modern" tourism was introduced and the first touristic resorts were built, financed by private investors and controlled by the Greek government. (Proust, Angelakis & Drakos 2009.)

Nowadays, the warm climate, the beautiful, breath-taking environment including the blue sea and sandy blond beaches, and the archaeological and historical sites are still the traditional assets that attract tourists to Greece. The tourism activities (direct and indirect) contribute to 18,2 % of the national GDP by the OECD Tourism Committee. Tourism is the first economic sector of the country and has the largest number of employments with 840 000 people, which represents 19 % of the total workforce. (Proust, Angelakis & Drakos 2009.)

The largest island of Greece, Crete, has a coastline of 1,046 km, the island spans 260 km from east to west, is 60 km at its widest point and covers an area of 8,336 km². The main touristic areas are focused on the north coast, with the major touristic centers being Chania, Rethymnon, Heraklion and Agios Nikolaos. Population (in 2011) was close to 600 000. (Proust, Angelakis & Drakos 2009.)

There has been significant development of mass tourism resorts in Crete which are mainly driven by foreign tour operators facilitated by local policies. The tourism sector is the primary industry on the island of Crete. Even though the growth has seemed stagnant over the past few years, tourism is still vitally important for the local economy and also of major importance for the entire tourism sector in Greece. The touristic season is long, extending from mid-March to mid-November, but the peak seasons are attained in July and August. (Proust, Angelakis & Drakos 2009.)

Crete is a destination for leisure tourism. Cooper (2005) states, that leisure and recreation tourism include different kinds of holidays, cultural and activity tourism as well as visiting friends and relatives. It is a getaway from normal life and a time for mental and physical relaxation.

Crete attracts tourists with 300 days of sunshine every year, with hundreds of beautiful beaches, with traditional culture and villages, wild nature and its historical and archaeological wealth. The climate and the natural beauty are the main reasons why tourists choose Crete as their travel destination. However, there are many other reasons such as Crete's rich natural resources and Cretan diet and cuisine which are potential attractions for the tourists in the future. (Cretegazette 2009.)

4.1 Size of tourism in Crete

Crete is one of the most popular holiday destinations in Greece; 15 % of all arrivals in Greece come through the port and airport of Iraklion. In 2008, in Crete 15 729 316 nights have been spent at a hotel, a similar establishment or camping, which represents 24 % of the total guest night spent in Greece during the year. (Proust, Angelakis & Drakos 2009.) In 2012 about 2 400 000 tourists visited Crete through the airports of Iraklion and Chania, while the whole amount of tourists through all the airports in Greece was 11 400 000. (Appendix 2)

Tourism is the primary source of income and employment generation for the island and has improved the quality of life for the locals. Crete holds a share of 10 043 units of hotels and restaurants which employed, alone, 25 910 persons in 2006. The number has been growing since then. (Proust, Angelakis & Drakos 2009.)

4.2 Main tourist attractions in Crete

Crete includes a very wide range of accommodation; luxury hotels with their complete facilities, swimming pools, sports and recreation, smaller family-owned apartments and camping facilities. Other tourism services on Crete include travel offices, car rentals, transportation, foodservices, scuba diving centres, sightseeing and historical attractions.

The research will focus on the following services: resort hotel, villa, rooms, restaurant and a company offering boat trips. (Proust, Angelakis & Drakos 2009.)

Popular tourist attractions in Crete include the archaeological sites of the Minoan civilisation Knossos and Phaistos, the classical site of Gortys and diverse archaeology of the island of Koufonisi which includes Minoan, Roman and World War 2 ruins. The Palace of Knossos is perhaps the most known attraction in Crete where you can see the ruins of the ancient Minoan civilization. Minoan pottery, jewellery, frescos and sarcophagi from Knossos are displayed in Heraklion at its fabulous archaeological museum. (Explore Crete)

Other attractions in Crete include the Venetian old city and port of Chania, Venetian castle at Rethymno and the gorge of Samaria. The gorge is the longest one in Europe with length of 16 km. Other popular attractions are the islands of Chrysi, Elafonisi, Gramvousa and Spinalonga. Elafoni is ranked to be the 17th in the best beaches in the whole world. It is breathtakingly beautiful with light pink sand and shallow crystal clear water. There are many other beautiful beaches in south-Crete too and the traditional villages are worth visiting as well. (Explore Crete)

5 The research process

The study was conducted in Crete by interviewing five different local tourism companies. The aim of the interviews was to gain current information about how the economic crisis impacted on the performance and operations of the tourism companies in Crete and what kind of changes, if any, the companies made in their operation. The interviews also examined how the companies and owners experienced the economic crisis and what were the significant changes and difficulties that the companies faced during the crisis.

The method used in the study was qualitative. According to Ghauri and Grønhaug (2005, 41) the qualitative method emphasizes understanding the phenomena from the respondents' point of view. The essential features of qualitative research are the correct choice of appropriate methods and theories; perspectives of participants and their diversity; reflexivity of the researcher and the research and as well variety of approaches and methods (Flick 1998, 16). In qualitative research the data is often in the form of words, which tend to be richer compared to quantitative research. The subject of the research is studied in a comprehensive manner, which brings in-depth understanding about the subject of the research. Qualitative research is a realistic way of collecting information which indicates that the real life context of the subject and the research setting are not manipulated. (Schreier 2012, 25.)

Features of qualitative research lies in its inductive and flexible nature. An open-ended and inductive style of questioning and observation is another defining attribute of qualitative research. (Guest, Namey & Mitchell 2013.)

I have chosen to use qualitative research in this thesis because it is a diverse and rich method to gain information and understanding about the impacts of economic crisis in Crete and in the researched companies. I chose the following questions (annex) in order to gain information about how the economic crisis has affected not only on the companies, but the people living in Crete during the crisis. The diversity of the questions is extensive; this brings in-depth understanding about the impacts of economic crisis on the researched companies and the actions followed by it.

With the first and third questions I strived to get general opinion of the impacts of economic crisis in whole Greece and separately in Crete and determine what the interviewed companies think was the main reason for the decreased number of tourists. The second question asks opinions on the role of the Greek government during the economic crisis and how it affected on the operation of the companies. Respondents were also asked questions related to:

- The change in the clientele and consumer behaviour in order to understand the alteration compared the time before the crisis (questions 4-5)
- The changes in the company regarding the supply and services, marketing, competition and co-operation with other companies during the crisis (questions 6-9)
- The economic situation of the company during the economic crisis (questions 10-11)
- Personal and professional experience of the crisis, the most significant changes and the future prospects (questions 12-14)

5.1 Collection of the data

There are many data collection methods in applied qualitative inquiry. The method used in this Thesis was in-depth interview, which is used to gain a deeper insight into the researched issue. The typical feature of in-depth interviews is the use of open-ended questions, which are followed up with inquiry in response to participants' answers; it allows the interviewees to express the inner thoughts and experiences without limitations. (Guest, Namey & Mitchell 2013, 45.)

For ensuring the reliability of content analysis, selection of the most appropriate method of data collection is essential to answer the research question of interest (Graneheim & Lundman, 2004, 107). Qualitative content analysis data is in most studies gathered by interviews, in any case by using a verbal method. If the interviewer chooses a semi-structured data collection method, it is important be careful not to guide the participant's answers too much to obtain inductive data. Interviews have several uses and take a variety of forms. Interviews can be structured, semi-structured or unstructured.

The method used in this study was semi-structured interview. In semi-structured interview the interviewer develops and uses themes. These themes are list of questions and topics that need to be covered during the conversation, usually in a particular order. Semi-structured interviews allow informants the freedom to express their views in their own terms and at the same time the interviews can provide reliable, comparable qualitative data. (Tuomi & Sarajärvi 2002, 73.)

The data were collected in Crete during March 2014. All the interviews were face-to-face interviews and the data were recorded and transcribed afterwards. The average length was 45 minutes. In order to gain a better overview of the impacts of economic crisis, companies were chosen from different field of tourism. These five different companies (table 2) were all located in the Chania region; a family-run restaurant (interviewee 1), boat trips organizing company in the harbour (interviewee 2), studios and suites in the old town (interviewee 3), a chain hotel (interviewee 4) and luxury villas (interviewee 5).

Table 2. The interviewed companies in Crete.

Type of Business	Employees	Interviewee code
Restaurant	5-10	Interviewee1
Excursions	5-10	Interviewee2
Studios and Suites	7	Interviewee3
Chain hotel	160	Interviewee4
Villas	5	Interviewee5

5.2 Analyzing the data

As there are many ways to collect the data, there are also as many ways to analyse it. The aim of analysing the qualitative data is to make sense of the findings for readers in a meaningful and useful way. The aim is also to summarise the data without losing the information in it; to increase the information value by creating diffuse data clear and

meaningful. (Taanila 2007, 77.) The data analysing method that was chosen to this research was a content analysis. The following section explains the benefits of this.

A content analysis is a structured and deductively oriented more than other qualitative research data analysing methods. According to Holdford (2008, 174), the analysis and reporting component of content analysis should aim to make sense of the findings for readers in a meaningful and useful way. Transferability, conformability, and credibility are part of reporting results of content analysis. It is important to ensure that the structure of results is equivalent and answers the aim and research questions.

Each answer of the questions are categorized and interpreted. The results are summarized and objectively evaluated in order to find similarities and make links between different answers. Content shows the number of times the same answer or theme is given and from these similarities of the respondents can be concluded. Because there are only five interviewed companies, the scale is small and any generalizations about the findings cannot be made.

5.3 Validity and reliability

In qualitative research it is essential to assess the validity and reliability of the study. Data collection, analysing and reporting are all important aspects assessing the reliability of the study. The quality of the research, the validity of the conclusions and the reliability of the research should be continuously evaluated during the entire research process. The results should not be coincidental and the methods used in the research should be able to examine what was promised. Reliability and validity assess whether the results are generalizable and transferable to other objects and situations. The competence of the qualitative research is achieved if the research provides information on the phenomenon which is studied. Versatile data collection and continuous comparison during the analysis adds value to this. (Wilberg 2009; Hirsijärvi & Hurme 2004, 186.)

All the interviews were conducted in a peaceful venue and all the interviews were face-to-face interviews where no other persons were present. The interviews were conduct-

ed in non-native language of the interviewee and the researcher, but all the interviewees possessed adequate language skills to take part in the interview. The questionnaire was carefully designed to cover the important parts of the theoretical part, and the open questions gave the participants a chance to answer without any guidance.

The interviews were only conducted in five companies, which add challenge to the research; the comparison happens only between these companies. The interviewed persons were, however, carefully selected so the results were derived from representatives from different types of tourism companies. Moreover, enough time was spent to find the right persons who have knowledge of the subject of the research for the interviews.

6 Results

6.1 Macro environment

The economic crisis in Crete did not affect the number of tourists. However, during the economic crisis the interviewed companies saw different kind of tourists in Crete. Also, the government actions, such as new taxes represented the most significant changes in the macro environment which affected the performance of the companies. In the next chapter the interviewees describe how the economic crisis and new taxes affected the companies and tourism in Crete.

6.1.1 The economic crisis impacted on the quality of tourism

Table 3. Did the crisis effect on tourism in Crete?

Type of company	Interviewee	YES	NO
Restaurant	Interviewee-1	x	
Excursion	Interviewee-2		X
Studios & suites	Interviewee-3		X
Chain hotel	Interviewee-4		X
Villas	Interviewee-5	x	

The interviewees did not see such a significant change in the number of foreign tourists during the economic crisis on Crete. Three of the five interviewees argued that the tourists assumed that things will be cheaper on Crete. Interviewee-2 explains it like this:

“On Crete it wasn’t such a big effect, I personally didn’t see less tourist. I actually saw more, because I think when there is a crisis in a country the tourists assume that things will be cheaper in that country. They (tourists) know people (local business owners) will be after looking for business, so the prices will go down. And I think that’s what happened here. For

Greece I don't know, but for Crete I am sure. I think we had more tourists because people think things will be cheaper, when there is crisis"

Interviewee-1 argued that tourism has always been the heavy industry of Crete and Crete already has a stable position in the tourism market that even the economic crisis in the country could not unsettle. Interviewee-3 explains that the low-cost airlines and cheap holidays helped Crete during the economic crisis and that is why there wasn't such a negative impacts on the amount of tourists. However, three of the five interviewees think that this affected the type of tourists on Crete. The interviewee-1 and -5 regarded that the low-cost airlines and cheap holidays reduced down the quality of everything as the following interviewee-1 argued:

"Tourism is not enough. There were still people even though the crisis, but the thing is how much the people will spend money. To see a restaurant or cafe full up doesn't mean that it makes enough money to survive on a 3-4 month business. Well this is how it is: cheap tickets, cheap people. What you sell, it's what you expect."

This, however, can be a consequence of the global economic crisis, the same interviewee thinks. The crisis also affected the hoteliers; they try to decrease the prizes to adapt to the customers' needs and to have everything inclusive in the price, which inevitably reduce the quality of food and services, the interviewee continues. In two other interviews it also emerged that those tourists who are looking for a cheap holidays are not seeking quality services either and do not spend much in the destination.

The interviewees assumed that the economic crisis affected tourism more in the mainland of Greece than on the islands. This was explained by the fact that generally the economic crisis affected the mainland stronger than the islands. Tourism is a primary industry on many of the islands and was the saving grace during the hard times. However, matters were much more difficult in the mainland and that is why the general opinion also was that tourism there was more impacted.

Three of the five interviewees wondered whether one impact of the economic crisis on tourism was that the local people and owners of companies started to see the tourists only as money. The interviewee-3 explained that the Cretan hospitality has disappeared during the economic crisis. This certainly has to do with the uncertainty of the economic situation. At the same time the interviewee pointed out that it is important to try to keep tourism on Crete, as it seems to be the only way to survive the crisis, and be careful with the prices. Two of the interviewees explained it as follows:

“We have to try to keep them [tourists] here, that they would come again. We have to be smart to not to “steal them”. Interviewee-3

“Many people start to see the tourist as money, because last years the place depends a lot on tourism.” Interviewee-5

6.1.2 The government actions restrict the performance of the companies

Table 4. Did the government actions effect on the operation of the company?

Type of company	Interviewee	YES	NO
Restaurant	Interviewee-1	x	
Excursion	Interviewee-2	X	
Studios & suites	Interviewee-3	X	
Chain hotel	Interviewee-4		x
Villas	Interviewee-5	x	

All the interviewees expect interviewee-4 agreed on the fact that Greek government actions affected their company negatively. Most of the interviewees explained that there were new taxes they had to pay, which made surviving during the economic crisis more difficult. These taxes were introduced during the crisis and many of the companies think that the taxes reduced the opportunities of the small businesses, as the following interviewees state:

“Here we work with the capitalist system; the taxes help the big businesses. So if you are big you have low taxes, if you are small you close down. So the capitalist system is this: the rich is getting richer, the poor poorer. That is why it is going to break down the system, it doesn’t have good end...” Interviewee-3

“The bigger is getting bigger and the smaller is disappearing.” Interviewee-1

Interviewee-1 argued that the Greek government was trying to make new restrictions and changes in the law during the economic crisis which are not appropriate for Greece. The same interviewee claims that the new restrictions are for a welfare state, but Greece is not one, yet. The argument was explained by the fact that there was lack of government control all these years, which resulted in the citizens or the companies not paying taxes. The system was not working right, and suddenly the government changes everything and try to make things controlled and the companies are in a difficult position to pay all these extra taxes as well. The interviewee believes that if it will keep going like this, even more people will move out of the country. Germany is trying to make the Visa of Russian people even harder to get when travelling to Greece, which is one more action that is complicating the situation of Greece during the economic crisis.

Other opinion of interviewee-5 about the Greek government was that all the processes in the government takes too long; it is very bureaucratic and slow. The interviewee thinks that during the economic crisis, as a result of reduced salaries in the public sector, the employees were even less interested to handle the cases of the companies.

The interviewee-4 perceived the role of the government a little bit differently. She took a stance on the government’s role on investing in tourism. She saw that the government could invest more on promoting Greece as a country. The opinion of the interviewee was that Greece’s role in the global market is based on the individual chains, but not as a country.

The general opinion among the interviewees was negative about the government actions. Even though the economic crisis didn't actually affect to number of tourists, the government actions restricted the operation conditions of the companies during the crisis.

6.2 Micro environment

The next chapters analyse how the interviewees saw that the factors in micro environment changed during the crisis. The demand remained unchanged, but the local tourism disappeared and the companies saw that the consumer behaviour changed.

6.2.1 The companies suffered from decreased number in local tourists

Table 5. Did the clientele alter during the crisis?

Type of company	Interviewee	YES	NO
Restaurant	Interviewee-1	x	
Excursion	Interviewee-2	X	
Studios & suites	Interviewee-3	X	
Chain hotel	Interviewee-4		x
Villas	Interviewee-5		x

The maturity of the interviewees saw alteration in local tourism during the economic crisis. Two interviewees saw that only rich people in Greece were travelling during the economic crisis, because even the middle class could not afford to travel. However, the low-cost airline routes to Crete helped the local tourism and interviewee-3 saw that the middle class was travelling due to this. However, if the middle class was travelling, they could not spend much money on their holidays. Interviewee-1 states the matter like this:

“The culture of Greek people was always that if they have money they go for holidays, it's not like a need it is in the North countries. If they don't have they can do a barbeque outside at home or go down to the beach, it is easier to do it here, you don't have to travel far away to have fun.”

Interviewee-2 didn't take a stance on the local tourists, but stated that the economic crisis affected the type of tourist. The interviewee saw that there were more families and less young and old aged of people. The interviewee assumed that low-cost airline tickets were a reason the families were travelling and pondered that there might have been cheap offers for families or the children's flights were included in the price of the adults.

Interviewee-5 took a stance on the reasons which affected the alteration of the clientele:

“I think many people have problem, the crisis is not only in Greece, it's everywhere. Our reputation was heavily impacted abroad, there are lot of rumours. I think they manipulate lot of the information. They exaggerate the negative parts, which are not supposed to impact on tourism.”

The same interviewee claimed that the local tourism was most impacted and Crete can forget the local tourism and focus on the tourism from abroad.

Interviewee-4 did not comment on the alteration of the clientele in their company, as their clientele has mostly been Scandinavians all these years and did not change during the economic crisis. However, the company took a stance on the ability of the guests to buy within the resort. This will be discussed in the next chapter, which focus on the consumer behaviour during the economic crisis.

6.2.2 Consumer behaviour changed

Table 6. Did the consumer behaviour change during the crisis?

Type of company	Interviewee	YES	NO
Restaurant	Interviewee-1	x	
Excursion	Interviewee-2	X	

Studios & suites	Interviewee-3	X	
Chain hotel	Interviewee-4	X	
Villas	Interviewee-5	x	

The consumer behaviour changed along the cheap airlines brought tourists to Crete, was the main opinion of all the interviewees. Interviewee-3 saw that the tourists spent money on the necessary needs like food and accommodation, but not so much on auxiliary services or shopping. Interviewee-1 saw that the tourists did not go to restaurants every night, like they used to do a few years ago. This was explained by the global economic crisis. The same interviewee saw that the tourist did not spend so much money in the restaurants as before the economic crisis. According to interviewee-1, the new all-inclusive trend in Crete also changed the consumer behaviour. Tourists, who were eating and drinking in the hotels all their holiday, did not spend much money outside. This can lead to a situation where small restaurants and shops have to close down, the same interviewee thinks.

Interviewee-4 stated that even though the tourists were in the hotel their ability to buy within the hotel was limited and they tended to book the most economic room. Interviewee-4 described the situation as follows:

“They are not spending so much in the resort. They have a smaller budget and what it comes to families it’s even worse because they have children with them and they usually book package holidays, half board or full board, and they limit their spending ability on the room. What comes to couples, obviously things are better, because they are singles, they have the ability to spend more on their vacations, like spa facilities, dinner etc.”

The same interviewee thought, because of the history of Scandinavian tourists on Crete, they used to book only rooms or apartments and that is why they are even nowadays more bed and breakfast orientated guests than other nationalities.

On the other hand the consumer behaviour is changing slowly; people are searching to travel by themselves and they are not depending on tour operators anymore. Interviewee-1 described the situation as follows:

“The part of the tour operator is getting less strong as they were which is good because then all the businesses are in the competition. The customer behaviour is changing – people are not buying anymore ready packages or ready trips – rather renting a car to make a trip on their own. They realize that if they make the trip by their own they are going to save money; they rent a car and pay the gas with 50€ for five person, but (if they pay the excursion) they would spend 40€ each on the trip. The people start to be awake and search, internet and offers are helping. In the end I think it will be free market; people with hotels, busses etc. If this is happening as fast as possible we are gonna pass this crisis. The point is to give a piece of the cake to everybody – to the hotels, local restaurants and shops and not just to the big resorts.”

On the other hand, it appeared that also the behaviour of local tourists change during the economic crisis; they were complaining more easily what comes to services or rooms in the hotel. However, their needs are different in the old town compared to the villages nearby where there are big resorts. The local tourist tended to choose the accommodation in the old town, where the hotels are cheaper and have fewer facilities.

6.2.3 Competition

Table 7. Did the crisis effect on competition?

Type of the company	Interviewee	YES	NO
Restaurant	Interviewee-1	x	
Excursion	Interviewee-2	x	
Studios & suites	Interviewee-3		x
Chain hotel	Interviewee-4		x

Villas	Interviewee-5		x
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The interviewees experienced the competition during the economic crisis differently; when some were affected by the competition, other companies did not see any change in the competition during the crisis.

Two of the interviewees saw that the competition increased during the economic crisis. Competition made two of the companies to drop down the prices. However, the rest of the three companies didn't change their prices due to competition, because they didn't see the other companies as their direct competitors. These three interviewees saw that they offer value and quality and by dropping down the prices they would drop this quality down. Another reason was that the companies couldn't drop down the prices as there is lot of other expenses, salaries and taxes to pay. However, the competition affected one company (interviewee-2), which is offering very similar services as their competitors are, and that is why the company had to drop down the prices if their competitors did so.

Three of the interviewees saw that competition did not increase during the economic crisis. It was explained by the fact that there was always demand even during the crisis and not so much similar companies in the area, which offer the exact same services (rooms-view, hotel - 5-star facilities) as they do. However, a company explained that they do have indirect competition; there are similar hotels in other towns, but this does not affect to the competition directly.

6.3 Internal environment

6.3.1 Changes in the services

Table 8. Did the company make any changes because of the economic crisis?

Type of the company	Interviewee	YES	NO
Restaurant	Interviewee-1		x
Excursion	Interviewee-2		x

Studios & suites	Interviewee-3		x
Chain hotel	Interviewee-4		x
Villas	Interviewee-5		x

The common opinion among the interviewees was that they did not make any significant changes in the supply or services of their company because of the economic crisis. All the companies did some changes in the past 5 years, but the reason was not the economic crisis.

It turned out that another company made an offer to their website. However, this was more to see how well the website was doing rather than trying to get more customers. The prices in the company were the same before and during the economic crisis, and only impacted if their competitors changed the prices, interviewee-2 explained.

A few companies also made some changes if there was a demand for something else and tried to adapt the product to the customers' needs to keep them satisfied by offering value. Due to this a company upgraded their restaurant and spa, keeping the hotel fresh all the time. (interviewee-5)

Apparently, a company tried to make as little as possible (renovation etc.) not to spend money during the crisis. Even though a company was paying less rent for the buildings, they were keeping the room prices the same due to other expenses they had to pay. The reason the company did not make any offers, was that there was always demand in the old town, because generally there are not so many beds as the demand is.

6.3.2 Marketing channels

Table 9. Did the company change marketing channels during the crisis?

Type of the company	Interviewee	YES	NO
Restaurant	Interviewee-1		x
Excursion	Interviewee-2	x	

Studios & suites	Interviewee-3		x
Chain hotel	Interviewee-4		x
Villas	Interviewee-5		x

All the interviewees believed in the marketing on the Internet, and that is why they did not really change the marketing channels during the economic crisis. Some (3) of the interviewees didn't believe that new marketing ways will change the demand; others did some changes, but saw that it didn't work.

It came up that new marketing channels are unnecessary, because Chania is nowadays a famous destination and has enough demand. Interviewee-3 believed that the company gains enough visibility on the Internet with the booking channels they are using already.

On the other hand, interviewee-2 told that the company had to change their marketing due to other companies, their competitors, which started to give their brochures to hotels. However, the company believed that it did not enhance the business; when there is a crisis in a country, other companies are not interested in helping others. The company also produced a website during economic crisis where they had a lot of visitors, but which did not encourage the people to buy their services, as they often visit the page after their experience in the company.

Interviewee-1 explained that they were willing to use new marketing channels during the crisis, but because it is expensive they did not want to invest on that during hard times. The company continued marketing in the social media, but believes that the offers are not helping if the people do not have in mind to use the company's services.

Another company which is using internet as a marketing channel has in mind to improve their winter advertising on the internet. Interviewee-5 thinks that the right channels on the internet are the key for successful marketing.

6.3.3 Human resource management

Table 10. Did the crisis impact on the personnel?

Type of the company	Interviewee	YES	NO
Restaurant	Interviewee-1		x
Excursion	Interviewee-2	X	
Studios & suites	Interviewee-3	X	
Chain hotel	Interviewee-4	X	
Villas	Interviewee-5	x	

All the companies that were interviewed had faced some difficulties keeping all their personnel in the company. Some of them had already reduced the workforce, some said they will have to take these measures in the near future. The reason for this was the new taxes and high insurance expenses for the employees.

Big companies who have lot of employees and taxes to pay for had to cut the number of employees or cut their salaries. Usually they chose to pay a minimum salary for their employees. However, a smaller company could not cut the salaries because the living expenses had got higher on Crete. That is why they chose to hire fewer employees. Interviewee-1, however, decided to keep all their employees and not to cut the employees' salaries. Interviewee-1 believed that the company will survive the crisis anyway and it is more important to try to keep the employees happy during the hard times.

6.4 How the crisis was experienced?

The interviewees experienced the crisis in many ways, but the most visible experiences were not positive. Even though the economic crisis did not affect significantly on tourism, it did effect on peoples everyday life, and made it harder.

However, the maturity (4) of the interviewees experienced that the outgoings were the most significant change in the operations of the companies during the economic crisis. By outgoings the interviewees mean the taxes and the insurances of the employees they

had to pay. There was a big difference in the outgoings compared to a few years ago. This made the survival of the companies harder. However, interviewee-4 saw that people who had tourism companies still survived better than people who worked for others, because their salary was cut to half. The interviewees also experienced that a significant change during the crisis was the quality of the tourists and how much they were spending in the destination.

On a personal level it came up that many people were scared. Increased number in suicides caused fear in the owners of the companies, when they saw that other businesses were in trouble. A common thought of interviewees' was that tourism is the only thing left on Crete and that is why people appreciate it and have to take care of it even more. Otherwise, life will be really difficult. The next chapter will focus on the thoughts about the future.

6.5 The future of the companies

Even though the companies had to face difficulties during the economic crisis, the future seems bright. All of the interviewees think that times will get better; some of them think it will happen soon, some of them think that the government has to make changes before the situation can improve.

A few of the interviewees believed that the situation will get better already in the summer 2014 and the following years on Crete will always rise to a higher level. One opinion (interviewee-1) for this was that many of the tourists will travel by themselves and they will spend the money on different services and different companies; therefore they are not only going to leave the money in the big chain hotels. Another opinion (interviewee-5) was that the hospitality orientated industry; history and culture of Crete are helping the tourism to get back to the normal levels.

The interviewees emphasized again how important it is to keep the tourism in a quality level and be careful not to ask for too high prices on the services etc. A few interviewees (3) also thought that with a right plan, the country could raise the tourist season from three months to 6-7 months again, or even have tourism around the year. The

local companies think Crete has the potential to have tourism around the year because of its climate.

7 Conclusion

The aim of the study was to gain information of the impacts of the economic crisis on the tourism companies on the island of Crete. Local companies were interviewed and the results from the qualitative in-depth interviews were analysed in the previous chapter.

The statistics reveal a decreased number of international tourist arrivals in Greece in the years of 2008 and 2009. However, Crete was not impacted like the rest of Greece. The interviewed companies also state that they did not come across fewer tourists in Crete during these recession years. The significant change of the tourism was how much the tourists were spending money in the destination.

The tourism industry suffered the consequences of the Greek government actions like all the other industries. The new taxes made surviving the crisis even harder; companies had to reduce the workforce and cut down salaries. While tourism seemed to be the saving grace of Crete, the government made operation of the tourism companies even more challenging.

The local tourism seemed to have disappeared and the foreign tourists were the only hope to keep the local tourism companies alive in Crete. However, either because of the global economic crisis or because of the cheap airline tickets to Crete, which brought tourists with lower budget, the consumer behaviour changed. The consequence was that tourists were spending less money on the services. The accommodation companies were on good track, compared to other businesses, because there was always demand, especially for a low budget accommodation. However, the decreased international tourism expenditure was a drop down for the local companies. Therefore, the companies did not change their marketing channels or services; to not to have extra expenditures.

The quality of everyday life had deteriorated and the tourism is perceived as the only resource of the near future in Crete. Therefore, it seems to be important for the local companies to preserve this industry.

It was interesting to explore the impacts of the economic crisis on tourism companies in Crete since I have been living there and I was not aware of the actual consequences of the crisis. First, it was challenging to choose the right questions so that I could determine the right themes that I wanted to examine in this thesis. Building the theoretical framework helped me to choose what kind of themes I wanted to examine when interviewing the companies. Finally, I achieved the research objectives that had been defined in this study and the answers were summarized compendiously. Through this writing process I gained academic writing skills in English. Moreover, I also gained interviewing skills and important data analysing skills for my future career.

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Attachments

Attachment 1. Interview questions

1. How do you describe the impacts of the economic crisis on tourism in Greece? On tourism in Crete?
2. How did the government actions affect your company during the crisis?
 - did it reduce or support your company's potential?
 - taxation/new laws/regulation
3. What do you think the main reason was for the decreased number of tourists?
 - the image of Greece as a country?
 - the global economic crisis (tourists didn't have so much money to travel)?
4. How did the clientele alter in your company during the crisis?
 - domestic/foreign
 - demographical structure
5. How do you describe the consumer behaviour during the crisis?
 - the use of money
 - the use of extra services
 - booking behaviour
6. Did your company make any changes to the supply and services during the crisis?
 - new products/services
 - amount/quality of the services
 - prices of the services
 - offers
7. How did the economic crisis affect the marketing in the company?
 - distribution channels (e.g. booking)
 - what kind of changes did you make in promotion (media etc.) (did it help?)
 - looking for new clientele? How?
8. How has the economic crisis affected the competition between companies?
 - any changes in your operations as a result of the competition
9. Did your company do cooperation with other companies during the crisis?
 - more or less than other years?
 - did it help?

10. Did the crisis have impact on your personnel?
 - did you have to reduce the number of employees?
 - or cut off the salaries?
11. How did the crisis affect the economy of your company?
12. How have you experienced the crisis personally and professionally? How do you see your company has adapted to the crisis?
13. What has been in your opinion the most significant change in the operations of your company during the economic crisis?
16. How do you see the future of your company?

Table 5
Foreign Tourist Arrivals at Selected Airports
January-December

Airports	2009	2010	2011	2012	10/09	11/10	12/11
Thessalonica*	1.189.444	1.146.356	1.261.885	1.319.018	-3,6	10,1	4,5
Kavala	83.942	81.461	79.474	67.925	-3,0	-2,4	-14,5
(N. Greece)	1.273.386	1.227.817	1.341.359	1.386.943	-3,6	9,2	3,4
Irakleio*	1.954.611	1.934.765	2.173.276	2.114.901	-1,0	12,3	-2,7
Chania	592.456	592.992	656.985	717.598	0,1	10,8	9,2
(Crete)	2.547.067	2.527.757	2.830.261	2.832.499	-0,8	12,0	0,1
Rhodes	1.273.006	1.374.926	1.647.707	1.608.064	8,0	19,8	-2,4
Kos	627.857	697.324	851.930	803.188	11,1	22,2	-5,7
(Dodecanese)	1.900.863	2.072.250	2.499.637	2.411.252	9,0	20,6	-3,5
Araxos	41.418	39.636	38.015	66.107	-4,3	-4,1	73,9
Kalamata	30.446	32.874	30.967	33.407	8,0	-5,8	7,9
(Peloponnese)	71.864	72.510	68.982	99.514	0,9	-4,9	44,3
Corfu	744.228	729.765	789.760	868.787	-1,9	8,2	10,0
Kefalonia	143.438	148.811	148.768	168.357	3,7	0,0	13,2
Zante	430.398	420.241	448.576	424.165	-2,4	6,7	-5,4
Aktio	147.574	143.950	143.965	142.465	-2,5	0,0	-1,0
(Ionian Islands)	1.465.638	1.442.767	1.531.069	1.603.774	-1,6	6,1	4,7
Mykonos	96.745	111.289	131.003	139.963	15,0	17,7	6,8
Santorini	162.414	181.352	200.576	200.165	11,7	10,6	-0,2
(Cyclades)	259.159	292.641	331.579	340.128	12,9	13,3	2,6
Skiathos	108.829	106.833	113.006	117.912	-1,8	5,8	4,3
Mytilene	71.452	62.010	62.889	49.442	-13,2	1,4	-21,4
Chios	11.967	12.079	9.971	8.420	0,9	-17,5	-15,6
Lemnos	6.563	5.575	7.473	7.620	-15,1	34,0	2,0
Samos	116.203	108.933	118.219	108.157	-6,3	8,5	-8,5
(N. Aegean)	315.014	295.430	311.558	291.551	-6,2	5,5	-6,4
TOTAL	7.832.991	7.931.172	8.914.445	8.965.661	1,3	12,4	0,6
ATHENS	3.140.811	2.996.595	2.871.524	2.453.106	-4,6	-4,2	-14,6
GRAND TOTAL	10.973.802	10.927.767	11.785.969	11.418.767	-0,4	7,9	-3,1

* Total Arrivals.

Source: Civil Aviation Authority, Athens International Airport "Eleftherios Venizelos", Regional Airports.
Panousi & Aggelopoulou 2013.)